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ABSTRACT

The Serrano case controversy raises the fundamental question: Do differences in school district per pupil expenditures represent cost differences incurred in providing essentially equivalent programs, or do they represent substantial differences in educational offerings? Although the answer is debatable, the California legislature increased foundation programs and included specific provisions to remedy cases of unequal education. Herein, the Serrano case is analyzed through an examination of the financial disparities noted by the plaintiff and of the alleged causes of the disparities, and alternative financial support plans are presented. It is concluded that California's Senate Bill 90 is basically sound and answers the charge that unequal education results from unequal wealth. (Author/DW)

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THE SERRANO PROBLEM

An Analysis of Equalization of Public School Support in California

by

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THE SERRANO PROBLEM

At the heart of the school finance controversy is the equalization dilemma. It stems from public demands for equal schooling on one hand, and local control of public schools on the other. Pursuit of equality tends to call for statewide uniformity in public school programs while local control fosters diversity.

In one sense this dilemma is a familiar one in government, reflecting the classic controversy between centralization and decentralization. Supporters of centralization emphasize the greater equalization of tax rates and governmental services attainable under the centralized approach, while advocates of decentralization emphasize the importance of keeping control of public affairs close to the people.

In the public school controversy, however, there are many unanswered questions which add to the complexity of the problem:

What is meant by equal schooling? Does it mean that all pupils have equal rapport with the teachers to whom they are assigned? Does it mean that all students acquire the same knowledge and skills so that their test scores are essentially equal?

Or, should equal schooling be defined in terms of school procedures and costs? Does equal schooling mean equal expenditures per pupil? Should the state establish a uniform salary schedule for teachers? Would a statewide uniform salary schedule for teachers cause them to be more nearly equal in teaching effectiveness? Or should salaries of school employees be based upon "prevailing wage rates" in a locality?

Should all high schools offer the same subjects? Such an approach would require small high schools to spend much more per pupil than would be required in large high schools, but the small high school would have fewer students in each class. In measuring equal schooling, can lower student-faculty ratios in rural high schools be balanced against greater variety of subjects offered in the large city schools? This is just a sample of the problems and issues encountered in developing criteria for equal schooling.

State legislatures have concentrated upon the fiscal dimension of the problem. The use of local property taxation for the support of public schools leads to disparities in local school revenues. In California, where school tax rates in excess of statutory authorizations must be approved by a vote of the people, the composition of the electorate in a school district affects its revenue potential. In school districts in which a large percentage of the voters are parents of public school children, there is a better chance for school tax proposals to be approved. In addition to voters' attitudes toward public schools, the local school revenue potential is affected by variations in the value of taxable property per student. Some school districts have more taxable wealth per pupil than others have, and the differences are substantial.

The distribution of taxable wealth per pupil (ADA) for all unified school districts in California during the 1970-71 school year is shown in Table I. To facilitate comparisons, the taxable wealth per pupil has been divided by the state average taxable wealth per pupil and multiplied by 100 to obtain an "index". A school district in which the assessed value of taxable property per pupil equals the state average has an index of 100. A school district in which the value of taxable property per student is 50% greater than the state average has an index of 150. Similarly, a low-wealth school district in which the assessed value of taxable property per student is 1/2 of the state average has an index equal to 50.

In Table I, the number of school districts is shown in column 2, and the percent of the state total ADA served by these school districts is shown in column 3. The indicated indexes of taxable wealth per pupil are shown in column 1. There are 13 school districts serving less than 1% of the total ADA (0.68%) in which the taxable wealth per pupil equals or exceeds three times the state average. Similarly, there are 42 school districts serving 5.55% of the total ADA in which the taxable wealth per pupil exceeds two times the state average. With few exceptions, notably San Francisco, these high-wealth school districts are also small high-cost school districts, such as Borrego Springs and Death Valley, with 69 and 47 students, respectively, in high school.

At the other end of the distribution, there are 3[illegible]chool districts serving 20.35% of the students in which the taxable wealth per pupil is less than 60% of the state average. The one school district with less than 20% of the state average taxable wealth per student (ADA) is Travis, which includes large amounts of Federal tax-exempt property and receives Federal aid under Public Law 874.

The range of taxable wealth per student is substantial and state aid is provided to offset differences in local taxable wealth. Even before the enactment of S.B. 90, the state provided additional amounts of state aid to low-wealth school districts to compensate partially for inadequate local taxable wealth.

The effect upon actual expenditures per pupil of the school financing system in 1970-71 is shown in columns 4 and 5 of Table I. To construct this part of the table, the actual current expenditure per pupil of each school district was divided by the state average expenditure per pupil to obtain an index similar to the one used in columns 2 and 3. Thus, there were two school districts (Emery and Borrego Springs) serving less than 1/10 of one percent (0.03%) of the state total ADA and spending more than twice the state average amount per student (ADA). At

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TABLE I

DISTRIBUTIONS OF TAXABLE WEALTH AND CURRENT EXPENSE INDEXES FOR CALIFORNIA UNIFIED SCHOOL DISTRICTS, 1970-71

Index Intervals	Taxable Wealth			Current Expense		
	No. Dist.	% of ADA		No. Dist.	% of ADA	
(1)	(2)	(3)		(4)	(5)	
300 +	13	.68%		--		
280-299	2	.04		1	.02%	
260-279	4	.36	5.55%	--	--	.03%
240-259	10	.98		1	.01	
220-239	4	2.78		--	--	
200-219	9	.71		--	--	
180-199	7	.81		4	.73	
160-179	11	1.92		4	3.24	
140-159	15	2.39		7	.49	
120-139	26	8.89		29	6.57	
100-119	29	27.31		62	17.44	94.04%
80- 99	36	15.86		126	70.03	
60- 79	36	16.92		6	1.47	
40- 59	33	17.84		--	--	
20- 39	4	2.37	20.35%	--	--	0%
0- 19	1	.14		--	--	
Total	240	100.00		240	100.00	

NOTE: For each variable, the index is obtained by dividing the amount for a district by the corresponding state average and multiplying the quotient by 100. Thus, an index of 100 indicates a school district which has state average amount of taxable wealth per pupil or spends state average amount per pupil.

the other end of the distribution, there were no school districts spending less than 60% of the state average amount per student. The concentration of expenditures per pupil near the state average is indicated by the fact that 94% of all students attend school in districts spending between 80% and 140% of the state average amount per pupil.

The spread in actual expenditures per student shown in columns 4 and 5 is substantially less than the spread in taxable wealth per student shown in columns 2 and 3. This reduction in spread is a direct result of the state school aid system in effect prior to enactment of S.B. 90.

The relationship between taxable wealth per student and expenditures per student prior to enactment of S.B. 90 is analyzed further in Table II. In this table, columns 1, 2, and 3 are exactly the same as in Table I. They show the number of school districts and the percent of pupils (ADA) in each wealth categoiy identified by the indexes shown in column 1. For the school districts in each wealth category, the most, the median, and the least amount spent per pupil is indicated by the indexes shown in columns 4, 5, and 6. For example, there were 13 school districts serving 0.68% of all pupils in the state in which the taxable wealth per pupil was more than three times the state average. The expense per student in these 13 school districts ranged from a high of 2.94 times the state average expense per pupil to a low of 1.03 times the state average, with a median expense per pupil of 1.34 times the state average.

This table indicates a low positive correlation between taxable wealth per student and expense per student. Part of this relationship is attributed to the high cost per student invariably required to operate small, remote schools. To illustrate this fact, the name and ADA for the most costly school district in each of the taxable wealth categories is shown in columns 7 and 8. With the

TABLE II

CORRELATIONAL ANALYSIS OF TAXABLE WEALTH AND CURRENT EXPENSE INDEXES FOR CALIFORNIA UNIFIED SCHOOL DISTRICTS, 1970-71

Taxable Wealth Index	No. of Dist.	% of ADA	Current Expense Indexes			High Expense Index School District	
			High	Mdn.	Low	Name	ADA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
300 +	13	.68%	294	134	103	Emery	593
280-299	2	.04	119	113	107	Mendocino	455
260-279	4	.36	181	135	125	Maricopa	451
240-259	10	.98	167	126	101	Owens Valley	244
220-239	4	2.78	170	136	88	San Francisco	82,003
200-219	9	.71	139	113	102	Fall River	1,439
180-199	7	.81	167	135	107	La Honda-Pescadero	473
160-179	11	1.92	187	118	97	Death Valley	164
140-159	15	2.39	184	107	81	Berkeley	15,626
120-139	26	8.89	136	103	78	Pasadena	29,855
100-119	29	27.31	116	94	81	Klamath-Trinity	1,306
80- 99	36	15.86	121	95	80	Richmond	40,755
60- 79	36	16.92	108	90	78	Stockton	32,426
40- 59	33	17.84	108	89	72	Cutler-Orosi	2,446
20- 39	4	2.37	103	83	72	Compton	41,087
0- 19	1	.14	98	98	98	Travis	4,227
Total	240	100.00	xxx	xxx	xxx	xxx	xxx

NOTE: For school districts in each Wealth Index interval, columns 4, 5, and 6 show the high, median, and low Current Expense Indexes. Thus, for the 13 school districts with Wealth Indexes of more than 300, the highest Current Expense Index was 294; the lowest, 103; and the median was 134.

exception of San Francisco, none of the school districts listed in Table II, which have taxable wealth indexes greater than 160, operates a high school for more than 500 pupils in ADA.

This raises a fundamental question in the Serrano controversy: Do differences among school districts in current expenses per pupil represent cost differences incurred in providing essentially equivalent programs, or do they represent substantial differences in educational offerings?

Some light can be shed on this vital question by examining the relationship between the taxable wealth and current expense per student of school districts and the total ADA of each. In Table III, the 30 school districts with the most taxable wealth per student, and the 30 with the least, are tabulated by size (ADA) groups. Twelve of the 30 most wealthy school districts have less than 500 students; only 4 have more than 3,000 students. Thus, the high-wealth school districts tend to be small (in ADA).

In contrast, the low-wealth school districts tend to be large (in ADA). Of the 30 school districts with the least taxable wealth per student, 26 had more than 3,000 students. Since high-wealth school districts tend to be small, offering programs of instruction comparable to those offered in large school systems, especially in high schools, more per student is spent.

This fact is illustrated in Table IV in which the 30 most costly (per ADA) and the 30 least costly school districts are tabulated by size (ADA) groups. Of the 30 most costly school systems, 11 had fewer than 500 students; only 7 of the 30 had more than 3,000 students. On the other hand, among the 30 school systems with the least expense per student, 20 had more than 3,000 students.

Additional information concerning the 30 most costly school districts is shown in Table V. Of the 10 most costly school systems, 6 operated high schools

TABLE III

HIGH-WEALTH AND LOW-WEALTH SCHOOL DISTRICTS CLASSIFIED BY SIZE (ADA); CALIFORNIA UNIFIED SCHOOL DISTRICTS, 1970-71

ADA	30 School Districts with Highest Taxable Wealth per Student	30 School Districts with Lowest Taxable Wealth per Student
(1)	(2)	(3)
0- 499	12	--
500- 999	1	--
1000-1499	4	1
1500-1999	8	1
2000-2499	1	--
2500-2999	--	2
3000- +	4	26

TABLE IV

HIGH-COST AND LOW-COST SCHOOL DISTRICTS CLASSIFIED BY SIZE (ADA); CALIFORNIA UNIFIED SCHOOL DISTRICTS, 1970-71

ADA	30 School Districts with Highest Cost per Student	30 School Districts with Lowest Cost per Student
(1)	(2)	(3)
0- 499	11	1
500- 999	3	1
1000-1499	5	4
1500-1999	2	2
2000-2499	1	2
2500-2999	1	--
3000- +	7	20

TABLE V

THIRTY UNIFIED SCHOOL DISTRICTS WHICH SPENT THE GREATEST AMOUNT PER PUPIL (ADA) DURING THE 1970-71 SCHOOL YEAR

Name of District	ADA			Cur. Exp. per ADA	Cur. Exp. Index
	Elem.	Sec.	Total		
(1)	(2)	(3)	(4)	(5)	(6)
Emery	427	166	593	$2,448	294
Borrego Springs	176	69	245	2,066	249
Death Valley	117	47	164	1,551	187
Berkeley	10,797	4,829	15,626	1,533	184
Beverly Hills	3,317	2,474	5,791	1,516	182
Maricopa	215	236	451	1,506	181
San Francisco	55,773	26,230	82,003	1,413	170
Palo Alto	9,674	5,228	14,902	1,401	169
La Honda-Pescadero	350	123	473	1,385	167
Owens Valley	141	103	244	1,386	167
John Swett	1,374	623	1,997	1,278	154
Mojave	1,026	361	1,387	1,219	147
El Segundo	2,064	1,134	3,198	1,199	144
Needles	1,009	430	1,439	1,187	143
Shoreline	657	235	892	1,175	141
Pittsburg	3,956	1,892	5,848	1,165	140
Fall River	984	455	1,439	1,155	139
Coalinga	1,743	665	2,408	1,151	139
Stony Creek	132	56	188	1,137	137
Pasadena	20,323	9,532	29,855	1,132	136
Bear Valley	1,009	430	1,439	1,122	135
Big Pine	213	107	320	1,122	135
Desert Center	722	303	1,025	1,118	135
Princeton	249	101	350	1,115	134
Sierra-Plumas	458	229	687	1,108	133
Round Valley	272	101	373	1,106	133
Benicia	1,338	500	1,838	1,086	131
Maxwell	215	105	320	1,084	130
River Delta	1,931	1,011	2,942	1,080	130
Shandon	164	84	248	1,069	129

for less than 300 students. The higher costs required for such schools are recognized by the state in its definition of the foundation program. For example, to maintain a necessary small high school for 50 students, the state (in S.B. 90) allows an amount per student 2.4 times the amount allowed per student in large high schools. For a high school serving 100 students, the state allows 1.7 times the amount per student allowed for large high schools. With such recognition of cost factors by the state, the higher costs incurred in the school districts with fewer students to serve cannot be identified with superior offerings.

To offer a variety of high school subjects and also maintain a reasonably efficient class size policy require approximately 1,000 high school students. Only 7 of the 30 most costly school systems meet this requirement.

In addition to the total number of students served by a school district, many other factors affect its cost per student. For example, the percent of the total ADA enrolled in the more costly high school programs affects the overall cost per pupil. During the 1970-71 school year, the percent of total ADA in high schools was: Berkeley, 31%; Beverly Hills, 43%; and Maricopa, 52%.

Some school districts must transport their students long distances. Some have old school buildings requiring expensive repairs. Some schools in the desert require air conditioning. Some schools near airports require soundproofing. In some areas, vandalism requires expensive repairs.

Still more important in its effect upon cost are salary policy and the number of years of service of the teaching staff. Increasingly, salaries of school teachers are determined by negotiation, and the outcome of the negotiation often bears little relationship to teaching effectiveness. School districts may have more costly salary schedules either because the schedule itself is higher, or

because a larger proportion of teachers have the years of service needed to receive the maximum salary.

If school employees' salaries reflect prevailing wages in a locality, differences among school districts in salaries paid for similar services are inevitable--and this fact, also, will affect the cost per student. Clearly, the fiscal dimension of the school equalization dilemma is as perplexing as the instructional dimension. These are the problems the legislature faced when it enacted Senate Bill 90, in December, 1972.

Senate Bill 90

Following a touch-and-go struggle in the legislature, a new public school finance law was approved on December 1, 1972 by a vote of 29 to 10 in the California State Senate. Since 27 favorable votes were required for enactment, there were two votes to spare. Prior to this action, the State Assembly had approved a similar measure by a vote of 64 to 8. The Bill, S.B. 90, includes several compromises including those related to compensatory education (often referred to as the "urban factor") and property tax relief, as well as general support for public schools. For many legislators, property tax relief was the major concern, and the Act is known as the "Property Tax Relief Act of 1972".

In addition to the conflicting points-of-view concerning property tax relief and public school finance, the Serrano decision undoubtedly influenced the outcome. This decision of the State Supreme Court seemed to invalidate the foundation program concept as it is used in nearly all of the fifty states. In California, as in most states, the disparities in local sources of revenue are

only partially offset by state aid, and local school districts are permitted to supplement the equalized revenues included in the foundation program with unequal local supplements derived from unequal local revenue sources. Such supplements, the California Court declared, make the "quality of a child's education a function of the wealth of his parents and neighbors".

Several remedies for the Court's criticism were proposed, including both "full state funding" and "power equalization". A statewide property tax proposal, under which the foundation program would be financed in full from state tax sources, was considered. After lengthy presentations by rival advocates, the legislature chose to amend and substantially increase the state foundation program.

In addition to the boost in the foundation programs, expressed in dollar amounts per pupil (ADA), the new law included two new categorical aid programs. One was intended to improve early childhood education; the other, to help educationally disadvantaged children.

A new approach to "categorical aids" was indicated by the emphasis upon program effectiveness. Earlier efforts to obtain additional amounts of state school funds for disadvantaged youth--using an urban pupil weighting method--had been rejected. In Senate Bill 90, additional funds are made available only if the school district develops effective plans for the use of the additional funds.

In addition to increases in the foundation program amounts per pupil (ADA) for the 1973-74 school year, Senate Bill 90 makes these amounts subject to change each year. It provides for changes in the foundation program levels per pupil each year, approximately equal to changes in the statewide average assessed value of taxable property per pupil.

The new foundation program continued special provisions for necessary small schools. The foundation program amounts for necessary small high schools are based upon a combination of average daily attendance and number of teachers employed.

The amounts provided for such schools in S.B. 90 are shown in Table VI. The total amounts of the foundation program are shown in column 3, and the amounts per student (ADA) are listed in columns 4 and 5.

The ratios of the foundation program amounts per student in necessary small high schools to corresponding amounts for larger high schools ($950) are shown in columns 6 and 7. For example, a high school serving 76 students (ADA) and employing 7 teachers would be entitled to a foundation program of $1,972 per student, or 2.07 times the amount provided for larger high schools.

Even with such additional financing, the small high school is still not able to provide the variety of subjects available to students in high schools with 1,000 or more students. In this sense, greater expenditures per student in the small high school actually provide less adequate offerings.

For unnecessary small high schools, the foundation program amounts for 1973-74 were $940 per student for schools with less than 301 students and $950 for schools with more than 300 students. For all large schools, the foundation program amounts for the school year 1973-74 were:

	Elementary Pupils	High School Pupils
Unified Districts (new law)	$785	$970
Unified Districts (prior year)	660	684
Non-Unified Districts (new law)	765	950
Non-Unified Districts (prior year)	640	664

Since approximately two-thirds of all pupils are in unified school districts and assuming the ratio of elementary pupils to high school pupils is 2 to 1, the overall state average foundation program amount per pupil (ADA) is approximately $840. This is a substantial increase over the former foundation program amounts.

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TABLE VI

FOUNDATION PROGRAM AMOUNTS FOR NECESSARY
SMALL HIGH SCHOOLS UNDER S.B. 90

ADA of High School	Number of Teachers	Foundation Program Total	Found. Prog. per ADA		Found. Prog. Ratios	
			High	Low	High	Low
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1- 20	3	$ 83,772	$ --	$ --	--	--
21- 40	4	100,291	4,776	2,507	5.03	2.64
41- 60	5	116,810	2,850	1,947	3.00	2.05
61- 75	6	133,329	2,186	1,777	2.30	1.87
76- 90	7	149,848	1,972	1,665	2.07	1.75
91-105	8	166,367	1,828	1,584	1.94	1.67
106-120	9	182,886	1,725	1,524	1.81	1.60
121-135	10	199,405	1,648	1,477	1.73	1.55
136-150	11	205,924	1,514	1,373	1.59	1.44
151-180	12	232,443	1,539	1,291	1.62	1.35
181-220	13	248,962	1,375	1,131	1.44	1.18
221-260	14	265,481	1,201	1,021	1.26	1.07
261-300	15	282,000	1,080	940	1.14	.99

SOURCE: Columns 1, 2, and 3 from S.B. 90. Columns 4 and 5 are obtained by dividing column 3 by the two ADA amounts in column 1. Column 6 equals column 4 divided by 950. Column 7 equals column 5 divided by 950.

NOTE: This table was modified slightly by AB 1267, but the basic principles were unchanged.

It is estimated that foundation program revenues plus state and Federal categorical aids will amount to approximately 90% of current school revenues during the 1973-74 school year.

Under S.B. 90 approximately 90% of all public school current revenues are equally available to all school districts. The foundation program funds, including basic aid, are equally available based upon the number of pupils served. The categorical aids are also equally available based upon various indicators of special need. Both types of school revenue are independent of the attitude of the local electorate and of the adequacy of the local tax base.

The division of public school current revenues into two categories--those which are equally available and those which depend upon local taxation--clarifies the underlying school fiscal policy of Senate Bill 90. The legislature in effect has allocated 90% of public school revenues to finance an equalized common school program throughout the entire state, and allowed 10% to meet unusual local needs and foster local participation in school fiscal affairs.

The revenues for the equalized common program are allocated among school districts by various formulas and indicators of need, and the amounts are controlled by state appropriations. The local supplemental funds cannot be so controlled without defeating their purpose; but the legislature developed a new concept of "Revenue Limits" to restrain excessive use of local tax funds.

In place of the former tax-rate limitations placed upon school boards, the legislature in Senate Bill 90 restricted the taxing power of school boards by limiting the amount of income per pupil (ADA) that may be derived from local taxation without voters' approval. While the former tax-rate limitations were designed to protect taxpayers from excessive property tax rates, the new revenue limits are intended to prevent school boards from expending, without a vote of the people, excessive amounts per pupil.

To avoid disruption in school programs, the revenue limit for each school district was based upon the amount per pupil expended during the 1972-73 school year. This means that revenue limits per pupil are not the same in all school districts, but the law provides for a gradual convergence of state-authorized revenue per pupil to the foundation program amounts over a period of several years. Moreover, state and Federal categorical aids may be expended by a school district in addition to its revenue limit.

Significantly, the revenue limit is imposed upon the school board--not upon the electorate. Under Senate Bill 90, an increase in the state-imposed revenue limit may be authorized by a vote of the people. The proposition for such a vote of the people must declare the additional as well as the total amount per pupil the school board wishes to spend. Such a proposition focuses public attention upon the amount and purpose of the proposed expenditures.

The preservation of the right of the people to vote a school tax retains an essential ingredient in the school financing system. It facilitates local initiative in solving problems and in developing new programs. It tends to make the school professional staff more concerned about public understanding and approval of their work. It provides a source of additional school funds in the event the legislature's appropriations are inadequate.

However, if the proportion of school revenue derived from "unequalized" local taxation increases, then the inequalities in school revenues which existed prior to enactment of S.B. 90 will creep back into the system. For this reason, it is important that state appropriations for public school support be sufficient to maintain, or increase, the proportion of school revenues "equally available" to all school districts. If this figure is 90% or more, then the equalizing effects of S.B. 90 will be retained, without eliminating the right of the people to vote a school tax.

Despite improvements in the equalization of public school support made by Senate Bill 90, plaintiffs in the Serrano case contend that the new law contains provisions which violate the California State Constitution.

The Serrano Complaint

Disagreement between plaintiffs and defendants in the Serrano case involve questions of both law and fact. The plaintiffs' allegations pertaining to "facts" about public school finance in California are stated in the Pretrial Conference Order issued by Judge Jefferson in the Los Angeles Superior Court on December 13, 1972. The most significant of these allegations follow:

> 3. Plaintiffs allege and contend that there are substantial disparities among many of the school districts of the State of California in the tax base per pupil average daily attendance, i.e., assessed valuation of the real property within a school district divided by the number of pupils in average daily attendance in that same district, and that such substantial disparities also exist within single counties....
>
> 4. Plaintiffs allege and contend that, as a direct result of the system of California financing of public elementary and secondary school education, substantial disparities exist among the school districts of the State in the dollar amounts spent per pupil for public education without any justification for such substantial disparities in terms of the educational needs or demands of school children, and that, therefore, substantial disparities exist and are perpetuated in the quality of education and in the extent of availability of educational opportunities among the school districts of the State of California, and that such substantial disparities also exist within single counties....
>
> 5. Plaintiffs allege and contend that the educational opportunities made available to children attending public schools of the school districts where plaintiff-children attend public schools, including plaintiff-children, are substantially inferior to the educational opportunities made available to children attending public schools in many other school districts of the State of California.... It is to be understood, however, that plaintiffs do not allege or contend that an expenditure of equal resources per pupil within the State of California would be constitutional even though pupils have differing educational needs.
>
> 6. Plaintiffs allege and contend that the system of California financing of public elementary and secondary school education denies to children attending public schools of the school districts in which plaintiff-children attend such public schools, including plaintiff-children, educational opportunities substantially equal to those

enjoyed by children attending public schools in many other school districts of the State of California, and fails to meet minimum requirements of the equal protection clause of the Fourteenth Amendment to the Constitution of the United States and of the fundamental law and Constitution of the State of California in the following respects:

A. Such system of financing public elementary and secondary school education makes the quality of education and the extent of availability of educational opportunities for school-age children in California, including plaintiff-children, a function of the wealth of the children's parents and neighbors as measured by the tax base of the school district in which said children reside;

B. Such system of financing public elementary and secondary school education makes the quality of education and the extent of availability of educational opportunities for school-age children in California, including plaintiff-children, a function of the geographical accident of the school district in which said children reside;

C. Such system of financing public elementary and secondary school education fails to take into account any of the variety of educational needs of the several school districts of the State of California and of the children therein;

D. Such system of financing public elementary and secondary school education provides students living in some school districts of the State of California with material advantages over students in other school districts in selecting and pursuing their educational goals;

E. Such system of financing public elementary and secondary school education fails to provide children of substantially equal age, aptitude, motivation and ability with substantially equal educational resources;

F. Such system of financing public elementary and secondary school education perpetuates marked differences in the quality of educational services, equipment and other facilities which exist among the school districts of the State of California as a result of the inequitable apportionment of said State resources in past years;

G. Such system of financing public elementary and secondary school education makes use of the "school district" as a unit for the differential allocation of educational funds and, hence, bears no reasonable relation to the California legislative purpose of providing equal educational opportunity for all school children within the State of California; and

> H. Such system of financing public elementary and secondary school education permits each school district to retain and expend within that district all of the real property taxes collected within that district and, hence, bears no reasonable relation to any educational objective or need.
>
> 9. Plaintiffs allege and contend that, as a direct result of such system of financing public elementary and secondary school education, plaintiff-parents are required to pay a higher tax rate than taxpayers in many school districts of the State of California in order to receive for their children the same or lesser educational opportunities as are afforded to children in these other school districts....

To facilitate analysis of these allegations, and to focus attention upon the crucial issues, the author has made the following summary of the factual allegations:

I. Disparities

Among school districts in California:

A. There are substantial differences in taxable wealth per student.

B. There are substantial differences in amounts spent per student.

C. There are substantial differences in available educational opportunities.

II. Causal Relationships

In I above, A is the cause of B, and B is the cause of C.

III. Conclusions

Therefore, the system of financing public schools in California makes the quality of a child's education a function of the wealth of his parents and neighbors.

Also, tax rates in low-wealth school districts, regardless of the amount spent per student, are usually greater than corresponding tax rates in high-wealth school districts.

IV. Remedies

Alternative school financing systems suggested by the plaintiffs will remedy the alleged deficiencies.

Each of these four parts of the allegation is discussed on the following pages.

Disparities

Differences among unified school districts in taxable wealth per student for the 1970-71 school year are shown in Table I. These differences appear to be great enough to warrant the adjective "substantial," but some characteristics of these data must be considered in their interpretation. Taxable wealth per student is a quotient whose value is determined by both the numerator and the denominator. A high-wealth school district has either a large amount of taxable wealth or a small number of public school children or a combination of the two.

It has been noted above that most high-wealth school districts have low enrollments. Of the thirty unified school districts with the most taxable wealth per student during the 1970-71 school year, only 7 had 1,000 or more students in high school and 16 had fewer than 500 students in high school. These 16 small high-wealth school districts, in order to offer a variety of

subjects comparable to the variety offered in larger schools, would need to maintain many costly small classes. Thus, the financial position of a small school is greatly exaggerated when the assessed value of taxable property per student is used as an indicator of its capacity to finance a satisfactory school program.

At the other extreme, the largest school district among the 30 high-wealth districts, San Francisco, has problems of a different character. Although it is classified as a high-wealth school district, the median family income of the people living in San Francisco as reported in the 1970 U.S. Census was below the state average. Moreover, 9.9% of the families in San Francisco were classified as "below the poverty level" by the 1970 U.S. Census as compared with a statewide average of only 8.4%. These facts remind us that school districts with high ratios of taxable property to public school enrollment often have many children from poor families in their schools.

Santa Monica is another large school system in the high taxable wealth category. It is high wealth because it has a relatively low public school enrollment. There are many retired people in Santa Monica who have no children in school and whose homes are taxable. Many of these people are not wealthy and find property taxes difficult to pay.

Furthermore, in both Santa Monica and San Francisco, more than 20% of school-age children attend non-public elementary schools, compared with a statewide average of less than 10%. The parents of these children support these schools without benefit of state aid. Since children attending non-public schools are not counted in the denominator of the fraction, the value of taxable property per public school student is greater than it would be if these children attended

public schools. But the taxpaying capacity of these parents is not enhanced by their choice of a parochial school for their children.

There are four distinctly different types of high-wealth school districts. The most common is a small community with a major industrial installation. Another is a retirement community with relatively few children in school, in which the homes or apartments of the retired people are subject to property taxation. Then there is the community with a strong parochial school, in which a large percent of school-age children attend non-public schools. Finally, there is the community with expensive homes on the tax rolls.

The school revenue potential in each type of high-wealth school district must be assessed differently, especially with respect to voter attitudes toward school tax proposals. In a few instances, a school district may have both valuable industrial property and expensive residences, as illustrated by the Beverly Hills Unifed School District.

Although there are substantial disparities in taxable wealth per student among California school districts, there are also substantial differences among the factors which contribute to the wealth index. Two school districts which have equal amounts of taxable property per student may not have the same capacity to raise money for public schools from local tax sources. In this sense, the taxable wealth per student is an incomplete index of the capacity to support public schools from local sources. Nevertheless, differences among school districts in taxable wealth per student are "substantial" and state equalization payments are needed to offset these differences.

Expenditures per pupil, also, vary significantly from one school district to another. Differences among unified school districts in expenditures per pupil during 1970-71 are tabulated in Table I. It will be noted that most of the high-cost school districts are small, and high expenditures per student are needed to provide relatively meager offerings of high school subjects. Among the low-spending school districts, variations are much less, reflecting the foundation program form of state aid, which "equalizes up" to a prescribed amount per pupil, without restricting amounts which school districts may spend from local sources.

Although disparities among school districts in expenditures per pupil are much less than the disparities in taxable wealth per pupil, prior to enactment of S.B. 90, they could be called "substantial".

The third type of disparity alleged in the Serrano complaint--differences in the quality of education--is much more difficult to prove or to disprove. Although objective measures of teaching effectiveness are lacking, there undoubtedly are substantial differences in teaching effectiveness even among classrooms in the same school building. Indeed, it is quite possible that differences in teaching effectiveness within school districts are as great as differences among school districts. Granted that these differences exist, the crucial question becomes: Will they be eliminated if the school financing system is altered in the manner suggested by the plaintiffs?

Causal Relationships

The existence of substantial disparities among school districts prior to

enactment of S.B. 90 in (A) taxable wealth per pupil, (B) expenditures per pupil, and (C) teaching effectiveness was discussed in the preceding section. In order to fix the blame for inequalities in schooling upon the school finance system, it is necessary to prove that B is the direct result of A and that C is the direct result of B.

Statistical information relevant to the relationship between A and B prior to enactment of Senate Bill 90 is included in Table II. The first three columns of this table are the same as the corresponding columns in Table I. Columns 4, 5, and 6 show the expenditure indexes for school districts in each wealth category. Column 4 shows the highest expenditure index; column 5, the median expenditure index; and column 6, the lowest expenditure index.

Most of the high-cost school districts are small. The name of the school district with the highest cost per student in each wealth category and its ADA are shown in columns 7 and 8. The ADA figures in column 8 are for elementary and secondary schools combined. The small high schools operated by the school districts such as Emery, Mendocino, Maricopa, Owens Valley, and Death Valley are likely to have limited subject offerings despite their high costs.

More significant is the great variation in expenditures per pupil within each wealth category. In the lowest-wealth categories, there are school districts spending amounts per pupil greater than the state average. Similarly, among school districts with above-average taxable wealth (wealth index greater than 100), many are spending amounts per pupil less than the state average. If B (expenditures per pupil) were a direct result of A (taxable wealth per pupil), the correlation between the two variables shown in Table II would be much stronger.

The reason for this weak relationship is not difficult to find. Some of the cost factors which affect the amount spent per student already have been mentioned. In addition, there is the willingness of the electorate to authorize increases in school tax rates. Every year there are proposals to increase school tax rates. Some pass and some fail, with obvious effects upon expenditures per pupil. Then there is the effect of state and Federal aids upon available school revenues. All of these factors tend to weaken the relationship between A and B, making it inaccurate to say that B is the direct result of A.

Variation in expenditures per pupil among schools within the same school district is relevant to this question. There are 46 high schools operated by the Los Angeles Unified School District, each of which has more than 1,000 students. Since all of these schools are large enough to avoid costly small classes and since they are all supported from the same tax base, approximately equal expenditures per student would be expected if the amount spent per pupil were a direct result of the taxable wealth per pupil.

Actually, the amount spent per student in the 46 Los Angeles high schools during the 1970-71 school year varied from $1,098 in Jefferson High School to $646 in Granada Hills, a difference of $452. Among the 435 elementary schools operated by the Los Angeles Unified School District, there were similar variations in costs per pupil. In the Brooklyn Avenue Elementary School, the cost per pupil was $961 compared with $447 in the Liberty Boulevard Elementary School. These cost differences were incurred even though all of the schools were financed from the same tax base with the same tax rate; none had high costs because it

was small and remote, and salaries paid to teachers were based upon common, district-wide salary schedules.

Clearly, factors other than the taxable wealth per pupil affect the amount spent per pupil, and the allegation that the amount spent per pupil is the direct result of the taxable wealth per pupil is not supported by these facts. Moreover, under Senate Bill 90, the correlation between these two variables will be even less.

The alleged causal relationship between amount spent per pupil and the quality of schooling has been the subject of extensive investigation during recent years. Most studies conclude that increasing expenditures on traditional school practices is not likely to improve student performance. Correlation between student test scores and school expenditures per pupil is usually not significant. These findings are not surprising, since many factors outside of the classroom influence what a child learns.

Valid measures of school quality are difficult to find. Undoubtedly, additional expenditures, in some instances, purchase additional educational services; in others, they are incurred to meet unusual costs and produce no additional services for students. The relationship between expenditures per pupil and the quality of educational services available to children is influenced by school size, by many cost factors already mentioned, and by the leadership in a school system.

Among the thirty unified school districts spending the most per pupil during the 1970-71 school year, only eight had 1,000 or more students in high school (see Table V). These school districts (Berkeley, Beverly Hills, San Francisco,

Palo Alto, El Segundo, Pittsburg, Pasadena, and River Delta) presumably have the financial resources needed to develop and try out innovative school practices. The smaller, high-cost school districts, in most cases, need to spend more to offer an adequate variety of school subjects.

These facts suggest a tenuous relationship between (B) expenditures per pupil and (C) teaching effectiveness. When this relationship is considered along with the weak correlation between (A) taxable wealth per pupil and (B) expenditures per pupil, the conclusion is inescapable: The correlation between (A) and (C) is virtually insignificant and therefore differences in teaching effectiveness are not the direct result of differences in taxable wealth per pupil.

Conclusions

Despite the lack of correlation between taxable wealth per pupil and teaching effectiveness pointed out in the preceding section, it is charged that:

> Such system of financing public elementary and secondary school education makes the quality of education and the extent of availability of educational opportunities for school-age children in California, including plaintiff-children, a function of the wealth of the children's parents and neighbors as measured by the tax base of the school district in which said children reside. (Emphasis added.)

The declaration that the "system of financing public schools MAKES...etc.", implies a direct causal relationship which clearly does not exist. Furthermore, the identification of the wealth of children's parents with the tax base of the school district in which they reside is not consistent with the facts. It has been pointed out that, in the San Francisco School District, the taxable wealth per pupil substantially exceeds the state average, yet the median family income is below the state average, and a disproportionately large number of

families living in San Francisco are classified below the poverty level. This is not an unusual situation. In most big cities, there are concentrations of poor people and also concentrations of taxable commercial wealth.

Under this peculiar definition of the wealth of parents and neighbors, a family without income, subsisting on welfare payments, living in San Francisco, is wealthy because the city in which it resides has a high tax base. This confusion between the wealth of people and the taxable wealth of school districts is the basis for the widely quoted charge that the school finance system "invidiously discriminates against the poor". Since, more often than not, poor people live in school districts with above-average taxable wealth per pupil, the "invidious discrimination" charge is unfounded.

The charge that school tax rates in low-wealth school districts tend to be higher than corresponding tax rates in high-wealth school districts was true prior to enactment of Senate Bill 90, even though expenditures per pupil were less in the low-wealth school districts. This inverse relationship between school tax rates and expenditures per pupil was substantially altered by Senate Bill 90.

The revenue limits and total school tax rates for 10 high-wealth and 10 low-wealth unified school districts for 1972-73 and 1973-74 are shown in Table VII. These data make it possible to compare revenue limits and total school tax rates before and after Senate Bill 90, which became effective for the school year 1973-74. Note that the average revenue limit for the high-wealth school districts increased from $1169 to $1244 per pupil, a gain of $75. The average revenue limit for the low-wealth districts increased from $710 to $829 per pupil, a gain of $119. These changes indicate a relative gain for the low-wealth districts.

TABLE VII

REVENUE LIMITS AND TAX RATES FOR TEN HIGH-WEALTH AND TEN LOW-WEALTH UNIFIED SCHOOL DISTRICTS WITH MORE THAN 10,000 ADA, FOR 1972-73 AND 1973-74

School District	Rev. Base '72-'73	Rev. Limits '73-'74	Total Tax Rate '72-'73	Total Tax Rate '73-'74
(1)	(2)	(3)	(4)	(5)
Berkeley	$1,510	$1,549	$6.49	$6.69
Burbank	1,010	1,080	3.58	3.98
Glendale	828	917	3.81	4.10
Inglewood	985	1,062	4.89	5.05
Montebello	918	1,000	3.48	4.09
Newport-Mesa	1,141	1,220	4.26	4.40
Palo Alto	1,607	1,691	5.87	5.97
San Francisco	1,376	1,449	3.79	3.62
San Leandro	1,208	1,295	3.43	3.39
Santa Monica	1,104	1,176	2.92	3.27
Avg. for High-Wealth Districts	$1,169	$1,244	$4.25	$4.45
Baldwin Park	$ 697	$ 812	$4.56	$3.24
Compton	814	886	6.51	3.73
Fairfield-Suisun	666	832	4.25	3.65
Folsom-Cordova	661	768	4.21	2.57
Garden Grove	683	808	4.41	3.30
Hacienda-La Puente	730	849	5.17	3.54
Lompoc	662	802	3.67	1.85
Norwalk-La Mirada	699	836	4.56	3.44
Rialto	711	842	4.97	3.85
Rowland	780	855	5.70	3.98
Avg. for Low-Wealth Districts	$ 710	$ 829	$4.80	$3.31

SOURCE: A Compilation of School District 1973-74 Revenue Limits Computed Pursuant to Senate Bill 90 and Assembly Bill 1267 by County Superintendents of Schools Prepared by the California State Department of Education, 1974.

Tax-rate changes during the first year of Senate Bill 90 were much more dramatic. The average total tax rate for the 10 high-wealth school districts in Table VII increased from $4.25 to $4.45 per $100. The average total school tax rate for the 10 low-wealth districts decreased from $4.80 to $3.31 per $100.

A similar analysis for unified school districts in Los Angeles County with less than 10,000 ADA is shown in Table VIII. The average tax rate for these high-wealth school districts increased from $3.99 to $4.09 per $100, while the average tax rate for the low-wealth school districts decreased from $5.18 to $3.70 per $100. In both of these tables, the school tax rates of the low-wealth districts are now less than the corresponding tax rates for the high-wealth districts. Clearly, Senate Bill 90 has had a substantial effect upon school tax rates, and, to a lesser extent, upon revenues per pupil. It is expected that revenue limits per pupil and tax rates will become more nearly equal as the long-term effects of Senate Bill 90 become more apparent. However, complete equality of per pupil expenditures should not be expected for reasons discussed in this paper.

Alternatives

There are advantages and disadvantages to any system of public school finance. The chief criticism of Senate Bill 90 is that it permits school districts to levy and retain local property taxes to supplement the "equalized" revenues available through the foundation program and categorical aids. The amount of revenues per pupil obtainable from this source varies from one school district to another, depending upon the willingness of people to vote for school taxes and upon the taxable wealth per pupil in the school district.

TABLE VIII

REVENUE LIMITS AND TAX RATES FOR SIX HIGH-WEALTH AND SIX LOW-WEALTH SCHOOL DISTRICTS WITH LESS THAN 10,000 ADA IN LOS ANGELES COUNTY

School District	Rev. Base '72-'73	Rev. Limits '73-'74	Total Tax Rate '72-'73	Total Tax Rate '73-'74
(1)	(2)	(3)	(4)	(5)
Beverly Hills	$1,917	$1,964	$2.87	$3.08
Culver City	954	1,030	4.41	4.82
El Segundo	1,383	1,440	2.56	2.61
Las Virgenes	1,229	1,283	5.24	5.22
La Canada	909	983	4.75	4.34
San Marino	1,043	1,110	4.14	4.49
Avg. for High-Wealth Districts	$1,238	$1,302	$3.99	$4.09
Basset	$ 761	$ 851	$5.39	$3.39
Bonita	794	867	5.61	3.80
Charter Oak	700	832	4.52	3.23
Duarte	799	891	5.11	4.13
Glendora	744	857	5.07	3.65
Walnut Valley	807	876	5.39	4.01
Avg. for Low-Wealth Districts	$ 767	$ 862	$5.18	$3.70

SOURCE: A Compilation of School District 1973-74 Revenue Limits Computed Pursuant to Senate Bill 90 and Assembly Bill 1267 by County Superintendents of Schools Prepared by California State Department of Education, 1974.

Defenders of Senate Bill 90 recognize this problem and point out that only 10% of public school revenues under Senate Bill 90 are subject to this criticism; and 90% of current school revenues are equally available to all school districts. They argue that adequate financing of the state foundation program and supplemental categorical aids decrease the unequalizing effect of locally voted school taxes. Moreover, the right of the people to vote a school tax is a vital part of the local public school system.

The merits of this approach to the problem become clearer when alternatives are considered. Full state funding with statewide imposition and control of school property taxation, along with elimination of the right of the people to vote a local school tax has been proposed. This plan would transfer to the state complete control over school spending and it would change fundamentally the character of public schools. It would lead inevitably to centralized control over school policies which affect the amount of funds required. Locally initiated innovations, which require additional funds, would need state approval.

If the state funded fully a satisfactory basic program and permitted local supplementation, the effect upon school spending would be essentially the same as Senate Bill 90, but the effect upon property tax rates would be significantly different. The relationship between financial support for public schools and taxation reform has added to the complexity of the Serrano program. One of the problems is illustrated by the facts pertaining to property taxation in San Francisco, where the school tax rate is less than the state average and the total property tax rate exceeds the state average. This condition reflects what has come to be known as "municipal overburden". The policy question is quite clear: Should school

finance reform force the school tax rate in San Francisco to be increased, in line with school tax rates in other districts, even though the total property tax rate paid by the people in San Francisco is already above the state average? This question and related problems of tax reform can only be considered in a broader context than school finance.

Another proposal designed to achieve greater equalization of school spending and tax rates would consolidate California's 1,067 school districts into about 500, with boundary realignments designed to equalize the amount of taxable property per pupil. Consolidation of school districts in California has been going on for several decades. In 1941, there were 2,814 school districts; in 1951, 2,091; in 1961, 1,656; and in 1971, there were 1,070 school districts.

This process of consolidation should be accelerated, but tax-base equalization should not be the sole criterion for approving school district boundaries. The preservation of community control of schools must be considered. To achieve equalization of the school tax base would require extremely large school districts, and public schools would lose their local character.

Another suggested remedy is to remove commercial and industrial property from local taxation for school purposes. This proposal would probably have a disequalizing effect in most cases. Commercial and industrial property tend to be concentrated in large cities, which also have many children from low-income families to educate. City school systems would lose a substantial portion of their taxable wealth while suburban school districts with little or no industrial property would be unaffected. This is not the time to weaken the school tax base in the great cities.

The most complex proposed remedy is called power equalization. Similar proposals have been called "equalized matching" and "variable percentage grants".

Proposals differ in detail but share some essential characteristics.

Since there are many similarities between the equalized matching or "power equalization" on the one hand, and the "foundation program" approach to public school finance on the other, the distinction between the two needs further clarification. The following statements indicate the essential differences between them:

Power Equalization	Foundation Program
Purpose: To establish an equal tax base per student, thus equalizing potential income per student for all school districts.	Purpose: To guarantee a specific annual income per student for all school districts, regardless of local taxable wealth per student.
State Contribution: Amount is inversely related to local taxable wealth per student and directly proportional to the total local school tax rate.	State Contribution: Amount is inversely related to the local taxable wealth per student and is independent of the total local school tax rate.
Required Local Tax Rate: No specific tax rate is required, but the amount of state aid is reduced if the local tax rate is reduced.	Required Local Tax Rate: A specific local tax rate is prescribed by law to compute the local contribution to the foundation program.

Contribution Limitation: No limit is established. If a local school district increases its local tax rate, it would be entitled to more state aid.	Contribution Limitation: The state contributes toward the cost of the state-approved program only. Expenditures beyond this amount must come entirely from local taxation.
Incentive Effect: The reward-for-effort principle provides an incentive to increase local taxes, especially in low-wealth school districts.	Incentive Effect: There is no incentive effect beyond the requirement that the foundation program must be offered.
Sources of Inequalities: Inequalities in income per student result from unequal incentives and differences in the willingness of people to tax themselves locally for public schools.	Sources of Inequalities: Inequalities in income per student stem primarily from differences in taxable wealth per student for school taxes beyond the required local contribution to the foundation program.

The foregoing comparison indicates why one approach is called the "equalized matching" or "power equalization" and the other the "foundation program". Under the former, a matching ratio is first computed for each school district. Low-wealth districts invariably have high state-matching ratios, and school districts with large amounts of taxable wealth per student have low-matching ratios.

Equalized percentage grants are sometimes called incentive payments because the more a local school district contributes from local tax sources, the more it receives from the state. Since state contribution rates are unequal, the incentive effects differ from school district to school district.

Under the power equalizing plan, local school districts would be permitted to set their local tax rates and the state would supplement the yield of the local tax so that school districts with equal tax rates would receive equal amounts of money per pupil from state and local sources combined. Moreover, a very wealthy school district would be required to contribute a portion of the yield of its local property tax to the state in order to make the amount it retains equal the amount per pupil available in low-wealth districts with equal tax rates.

Assume this plan is in effect and consider three school districts, each with the same number of students. Assume each is considering the inauguration of a supplementary program which costs $50,000 per year. Consider the following fiscal factors:

	A	B	C
Cost of Program	$50,000	$50,000	$50,000
State Contribution	45,000	5,000	-25,000
Local Contribution	5,000	45,000	75,000
Tax Rate Required	0.1%	0.1%	0.1%

In the above illustration, fiscal incentives to inaugurate the program are much stronger in A than in B. Although equal tax rates are required, district B would be required to forego $45,000 worth of other services while district A would give

up only $5,000 worth of other services. In this sense, district B would make a much greater sacrifice to obtain the program. Moreover, in district C, which is required to pay a portion of the yield of its 0.1% local tax to the state, the fiscal disincentive would discourage adoption of the program.

Consider the direct economic effects upon the three communities. Approval of the $50,000 school service program would bring $45,000 from the rest of the state into community A. Community B would receive direct economic benefits equivalent to $5,000 from other parts of the state. For district C, approval of the program would result in an economic loss equivalent to $25,000 transferred to other parts of the state. Thus, the direct economic effects are quite different, producing unequal fiscal incentives and leading inevitably to unequal school spending induced and supported by the state.

The effect of state fiscal incentives upon local school policy is illustrated by summer school and adult education programs. These programs are optional with local boards of education and, for many years, they have been supported with state aid. Low-wealth school districts received the full foundation program amount which, for many programs, equaled or exceeded their actual additional costs. High-wealth school districts, on the other hand, received only basic aid ($125 per unit of ADA) which was less than the additional expenditures needed to operate most programs. Although it is expected that high-wealth school districts would offer more extensive school services to the public, actually, under former state aid laws, the low-wealth school districts offered more extensive summer school and adult education programs.

It is too early to determine what effect Senate Bill 90 is having upon these optional school services, but, if an open-ended "power equalization" school aid

system were enacted into law, the unequal incentive effects would be much stronger.

Conclusion

Review of the complexity of the public school finance problem and the inherent limitations of suggested remedies indicates that the California State Legislature acted wisely in enacting Senate Bill 90. Undoubtedly, the law will need amendments, but its basic concepts are sound.

After the law has been in effect for three years, all school districts will be able, under state-imposed revenue limits, to obtain the full amount of the foundation program, plus state and Federal categorical aids in addition to authorized local supplements. Under these conditions it is possible to compare the estimated revenues per pupil in a low-wealth school district, such as Baldwin Park, with the corresponding state average revenues per pupil.

To make this comparison, it is assumed that the low-wealth school district receives a pro rata share of categorical aids and miscellaneous revenue, and that it levies the state average tax rate to supplement the foundation program. Under these assumptions, during the 1975-76 school year the anticipated revenues per pupil in a low-wealth school district, in which the assessed value of taxable property per pupil is 1/3 of the state average, would be approximately as follows:

	Low-Wealth School District	State Average
Revenues per pupil from the foundation program	$ 969	$ 969
Pro rata share of categorical aids and miscellaneous revenues	178	178
Local supplement per pupil assuming state average supplemental tax rate	38	113
Total revenues per pupil	$1,185	$1,260
Percent of state average	94%	100%

In the foregoing comparison, the low-wealth school district receives the state average amounts per pupil from the foundation program and from categorical aids, but only 1/3 of the state average amount from local supplements, reflecting its meager tax base. A higher local supplemental school tax rate would be required to obtain state average revenues per pupil in the low-wealth school district.

Although actual public school revenues per pupil during the 1975-76 school year may differ from the estimated amounts shown in this comparison, the analysis shows the equalization effects of Senate Bill 90. If, in the state average column, the equalized amounts included in the foundation program and in the categorical aids are relatively large (90% or more), the unequalized local supplements will be relatively small and a high degree of equalization will be achieved.

In the foregoing estimate it is assumed that 91% of public school revenues will be in the equalized categories and 9% will be unequalized local supplements. The actual relative amounts during the 1975-76 school year will, of course, depend upon legislative action.

This analysis suggests a way to monitor the extent to which public school support is equalized each year. If state provisions for the foundation program and for categorical aids are sufficient, there will be little need for additional local supplements. But if state school support fails to keep pace with school needs, as seen by the people, additional local school taxes will be voted in many school districts thereby increasing the unequalized component of the public school revenue system. Annual reviews of the relative amounts of equalized and unequalized school revenues provide a method for monitoring the public school revenue system.

Essential for the effective operation of this system is preservation of the right of the people to vote additional local school taxes to supplement revenues from state and Federal sources. Restricting the right of the people to vote school taxes would curtail community initiative in improving school programs and endanger the quality of public education in the years ahead. Senate Bill 90 preserves this vital part of the public school finance system.

Although the basic concepts of Senate Bill 90 are well known, little statistical information concerning its effects is available. It is unfortunate that the courts are called upon to evaluate this law before its long-term effects are known. Hopefully, the legislature will monitor and amend Senate Bill 90, retaining its basic principles. Of all suggestions offered so far, this law provides the most promising vehicle for solving the Serrano problem without destroying the local character of California's public schools.